

CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through Tennessee Department of Agriculture:							
Emergency Food Assistance Program (Administrative Costs)	10.568	Z-09-213322-00	\$ (31,878)	\$ 76,378	\$ 44,500	\$ -	\$ -
Emergency Food Assistance Program (Administrative Costs)	10.568	8680	-	83,014	124,955	-	(41,941)
Total Emergency Food Assistance Program (Administrative Costs)			(31,878)	159,392	169,455	-	(41,941)
Emergency Food Assistance Program (Food Commodities - Noncash)	10.569	N/A	-	313,820	313,820	-	-
Passed through Tennessee Department of Human Services:							
Child and Adult Care Food Program	10.558	03-47-55915-00-8	(16,993)	16,993	-	-	-
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(77,670)	89,588	13,916	1,998	-
Child and Adult Care Food Program	10.558	03-47-56136-00-6	9,921	97,781	144,283	-	(36,581)
Child and Adult Care Food Program	10.558	03-47-60076-00-9	(4,259)	13,104	7,163	(1,682)	-
Child and Adult Care Food Program	10.558	8487	-	427,873	570,106	-	(142,233)
Child and Adult Care Food Program	10.558	Program Income	-	83,852	83,852	-	-
Total Child and Adult Care Food Program			(89,001)	729,191	819,320	316	(178,814)
Total U.S. Department of Agriculture			(120,879)	1,202,403	1,302,595	316	(220,755)
U.S. DEPARTMENT OF MILITARY							
Passed through Tennessee Emergency Management Agency:							
Public Safety Interoperable Communications Grant Program	11.555	GG-08-34108-494-08	(1,000,712)	4,143,670	5,863,553	-	(2,720,595)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-47-0001	(678,014)	1,227,850	549,836	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-47-0001	-	528,639	1,213,076	-	(684,437)
Community Development Block Grants/Entitlement Grants	14.218	Program Income	-	320,474	320,474	-	-
Total Community Development Block Grants/Entitlement Grants			(678,014)	2,076,963	2,083,386	-	(684,437)

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(continued from previous page)							
Emergency Shelter Grants Program	14.231	S-08-MC-47-0003	\$ (4,252)	\$ 4,252	\$ -	\$ -	\$ -
Shelter Plus Care	14.238	HTF-09-22	-	16,042	83,707	(23)	(67,688)
Shelter Plus Care	14.238	TN0010C4J000801	(23,338)	121,947	192,535	-	(93,926)
Total Shelter Plus Care			(23,338)	137,989	276,242	(23)	(161,614)
Home Investment Partnerships Program	14.239	M-06-MC-47-0200	(287,281)	287,281	-	-	-
Home Investment Partnerships Program	14.239	M-07-MC-47-0200	-	1,057,960	1,057,960	-	-
Home Investment Partnerships Program	14.239	M-08-MC-47-0200	-	145,744	498,211	-	(352,467)
Home Investment Partnerships Program	14.239	Program Income	-	427,547	427,547	-	-
Total Home Investment Partnerships Program			(287,281)	1,918,532	1,983,718	-	(352,467)
ARRA - HUD Neighborhood Stabilization	14.256	B-08-MN-47-0001	-	85,570	219,125	-	(133,555)
ARRA - Homeless Prevention and Rapid Rehousing	14.257	B-09-MY-48-0001	-	119,883	173,883	-	(54,000)
Total U.S. Department of Housing and Urban Development			(992,885)	4,343,189	4,736,354	(23)	(1,386,073)
U.S. DEPARTMENT OF JUSTICE							
Passed through Tennessee Department of Finance and Administration:							
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027515-00	(1,500)	6,389	11,384	-	(6,495)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027513-00	(11,604)	31,870	31,422	-	(11,156)
Edward Byrne Memorial Formula Grant Program	16.579	Z-06-027514-00	(6,979)	10,636	11,454	-	(7,797)
Total Edward Byrne Memorial Formula Grant Program			(20,083)	48,895	54,260	-	(25,448)
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0391	(48,754)	172,904	167,985	-	(43,835)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0546	(13,943)	24,263	15,887	-	(5,567)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0479	85,489	-	91,875	-	(6,386)
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0530	-	-	149,776	-	(149,776)
Total Edward Byrne Memorial Justice Assistance Grant Program			71,546	24,263	257,538	-	(161,729)
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804	2009-SB-B9-2602	-	519,095	727,126	-	(208,031)
Total U.S. Department of Justice			2,709	765,157	1,206,909	-	(439,043)

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U.S. DEPARTMENT OF TRANSPORTATION							
Passed through Georgia Department of Transportation:							
Highway Planning and Construction	20.205	PL-000-0008-00(502)	\$ (6,071)	\$ 6,071	\$ -	\$ -	\$ -
Highway Planning and Construction	20.205	PL-000-0008-00(786)	(31,504)	31,504	-	-	-
Highway Planning and Construction	20.205	PL-000-0009-00(237)	-	39,388	113,252	-	(73,864)
Passed through Tennessee Department of Transportation:							
Highway Planning and Construction	20.205	Z-07-036291-00	(19,716)	579,975	580,971	-	(20,712)
Highway Planning and Construction	20.205	Z-07-036291-01	(72,966)	72,966	-	-	-
ARRA - Highway Planning and Construction	20.205	33LPLM-F3	-	-	500,000	-	(500,000)
Total Highway Planning and Construction			<u>(130,257)</u>	<u>729,904</u>	<u>1,194,223</u>	<u>-</u>	<u>(594,576)</u>
Passed through Tennessee Department of Transportation:							
Federal Transit: Metropolitan Planning Grants	20.505	GG-07-26092-00	<u>(6,198)</u>	<u>64,827</u>	<u>78,854</u>	<u>-</u>	<u>(20,225)</u>
Total U.S. Department of Transportation			<u>(136,455)</u>	<u>794,731</u>	<u>1,273,077</u>	<u>-</u>	<u>(614,801)</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES							
Passed through Tennessee Libraries and Archives:							
Grants to States	45.310	GG-09-27593-00	-	5,000	5,000	-	-
Grants to States	45.310	GG-07-12776-00	-	2,500	2,500	-	-
Grants to States	45.310	GG-08-22649-00	-	91,000	91,000	-	-
Grants to States	45.310	Z-06-034108-00	<u>2,231</u>	<u>-</u>	<u>-</u>	<u>(2,231)</u>	<u>-</u>
Total Institute of Museum and Library Services			<u>2,231</u>	<u>98,500</u>	<u>98,500</u>	<u>(2,231)</u>	<u>-</u>

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Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-96497408	\$ -	\$ 130,000	\$ 130,000	\$ -	\$ -
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	A0040408	-	315,403	315,403	-	-
Total Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act			-	445,403	445,403	-	-
Passed through Tennessee Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF 07-204	(1,942,625)	1,942,625	1,697,201	-	(1,697,201)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95408208	-	9,659	19,921	-	(10,262)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95440809	-	11,800	15,203	-	(3,403)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95441209	-	5,082	6,632	-	(1,550)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96461906	(34,046)	55,399	21,353	-	-
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-95407108	(6,310)	30,272	30,231	-	(6,269)
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	8015	(4,870)	38,147	33,412	-	(135)
Total Brownsfield Assessment and Cleanup Cooperative Agreements			(45,226)	150,359	126,752	-	(21,619)
Total U.S. Environmental Protection Agency			(1,987,851)	2,538,387	2,269,356	-	(1,718,820)
U.S. DEPARTMENT OF ENERGY							
Passed through Tennessee Department of Human Services:							
Weatherization Assistance for Low-Income Persons	81.042	Z-05-021670-08	(129,108)	122,283	-	6,825	-
Weatherization Assistance for Low-Income Persons	81.042	Z-10-000403-00	-	-	37,070	-	(37,070)
Weatherization Assistance for Low-Income Persons - ARRA	81.042	Z-09-000422-00	-	712,274	917,276	-	(205,002)
Total Weatherization Assistance for Low-Income Persons			(129,108)	834,557	954,346	6,825	(242,072)
Energy Efficiency and Conservation Block Grant Program	81.128	SC0002685	-	-	70,305	-	(70,305)
Total U.S. Department of Energy			(129,108)	834,557	1,024,651	6,825	(312,377)

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(continued from previous page)							
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through Tennessee Department of Human Services:							
Low-Income Home Energy Assistance	93.568	Z-05-021693-10	\$ (222,027)	\$ 220,887	\$ -	\$ 1,140	\$ -
Low-Income Home Energy Assistance	93.568	Z-10-000203-00	-	1,026,513	2,308,405	-	(1,281,892)
Total Low-Income Home Energy Assistance			(222,027)	1,247,400	2,308,405	1,140	(1,281,892)
Community Services Block Grant	93.569	Z-05-020686-06	(52,210)	44,126	-	8,084	-
Community Services Block Grant	93.569	Z-10-000104-00	-	560,246	639,651	-	(79,405)
Community Services Block Grant - ARRA	93.569	Z-09-217907-00	-	839,435	866,999	-	(27,564)
Total Community Services Block Grant			(52,210)	1,443,807	1,506,650	8,084	(106,969)
Head Start	93.600	04CH0047/32	(1,353,677)	1,477,971	124,294	-	-
Head Start	93.600	04CH0047/33	-	7,144,999	7,808,686	-	(663,687)
Total Head Start			(1,353,677)	8,622,970	7,932,980	-	(663,687)
ARRA - Head Start	93.708	04SE0047/01	-	690,344	956,364	-	(266,020)
Total U.S. Department of Health and Human Services			(1,627,914)	12,004,521	12,704,399	9,224	(2,318,568)
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
Foster Grandparent Program	94.011	07-SFSTN005	(51,325)	34,418	-	16,907	-
Foster Grandparent Program	94.011	09SF101836	-	386,375	416,921	-	(30,546)
Total Corporation for National and Community Services			(51,325)	420,793	416,921	16,907	(30,546)
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Emergency Food and Shelter National Board Program	97.024	AR-7682-00-001	(23,999)	24,000	-	(1)	-
Emergency Food and Shelter National Board Program	97.024	8494	-	22,900	45,639	-	(22,739)
Total Federal Emergency Management Agency			(23,999)	46,900	45,639	(1)	(22,739)

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(continued from previous page)							
U.S. DEPARTMENT OF HOMELAND SECURITY							
Buffer Zone Protection Program (BZPP)	97.078	GG-08-25295-00	\$ (186,027)	\$ 192,481	\$ 6,390	\$ (64)	\$ -
Buffer Zone Protection Program (BZPP)	97.078	GG-09-28139-00	-	192,410	192,585	-	(175)
Total Buffer Zone Protection Program (BZPP)			(186,027)	384,891	198,975	(64)	(175)
Homeland Security	97.001	2008-IO-T8-0045	-	-	81,794	-	(81,794)
Total U.S. Department of Homeland Security			(186,027)	384,891	280,769	(64)	(81,969)
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			(6,252,215)	27,577,699	31,222,723	30,953	(9,866,286)

**Component Units**Awards Audited by Other Auditors**Chattanooga Area Regional Transportation Authority (CARTA)**

## U.S. DEPARTMENT OF TRANSPORTATION

Passed through Tennessee Department of Transportation:

Federal Transit - Capital Investment Grants	20.500	TN-03-0051	(689,125)	689,125	-	-	-
Federal Transit - Capital Investment Grants	20.500	TN-04-0017	(679,939)	991,927	311,988	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0031	(20,762)	26,480	5,718	-	-
Federal Transit - Capital Investment Grants	20.500	TN-05-0032	-	92,853	92,853	-	-
Federal Transit - Capital Investment Grants - ARRA	20.500	TN-56-0001	-	28,040	28,040	-	-
Total Federal Transit - Capital Investment Grants			(1,389,826)	1,828,425	438,599	-	-
Federal Transit - Formula Grants	20.507	TN-26-0021	(73,627)	589,438	515,811	-	-
Federal Transit - Formula Grants	20.507	TN-90-X293	(36,093)	2,840,620	2,881,741	-	(77,214)

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(continued from previous page)							
Federal Transit - Formula Grants	20.507	TN-15-X002	\$ -	\$ 161,028	\$ 161,028	\$ -	\$ -
Federal Transit - Formula Grants - ARRA	20.507	TN-96-0002	(103,417)	1,568,317	1,519,578	-	(54,678)
Total Federal Transit - Formula Grants			(213,137)	5,159,403	5,078,158	-	(131,892)
Total Federal Transit Cluster			(1,602,963)	6,987,828	5,516,757	-	(131,892)
Job Access - Reverse Commute	20.516	TN-37-X061	(72,018)	461,149	419,363	-	(30,232)
New Freedom Program	20.521	TN-57-0001	-	297,536	317,373	-	(19,837)
Total Expenditures of Federal Awards - CARTA			(1,674,981)	7,746,513	6,253,493	-	(181,961)
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
U.S. DEPARTMENT OF TRANSPORTATION							
Airport Improvement Program	20.106	3-47-0009-41	(44,231)	234,959	211,295	-	(20,567)
Airport Improvement Program	20.106	3-47-0009-44	(1,437,528)	2,198,263	767,325	-	(6,590)
Airport Improvement Program	20.106	3-47-0009-45	-	413,707	413,707	-	-
Airport Improvement Program	20.106	3-47-0009-46	(178,348)	2,324,676	2,147,729	-	(1,401)
Airport Improvement Program - ARRA	20.106	3-47-0009-47	(38,300)	1,721,505	2,312,150	-	(628,945)
Airport Improvement Program	20.106	3-47-0009-48	-	309,414	498,178	-	(188,764)
Airport Improvement Program	20.106	3-47-0009-49	-	19,950	27,550	-	(7,600)
Airport Improvement Program	20.106	3-47-0009-50	-	17,100	19,000	-	(1,900)
Total Expenditures of Federal Awards - CMAA			(1,698,407)	7,239,574	6,396,934	-	(855,767)
<b>Electric Power Board of Chattanooga (EPB)</b>							
U.S. DEPARTMENT OF ENERGY							
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	DE-OE0000215	-	21,124,248	29,001,040	-	(7,876,792)
TOTAL EXPENDITURES OF FEDERAL AWARDS - COMPONENT UNITS			(3,373,388)	36,110,335	41,651,467	-	(8,914,520)
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			(9,625,603)	63,688,034	72,874,190	30,953	(18,780,806)

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STATE AWARDS							
Tennessee Department of Agriculture							
Urban Forestry Grant		Z-07-033316-00	\$ -	\$ 12,563	\$ 12,563	\$ -	\$ -
Tennessee Department of Environment & Conservation:							
Household Hazardous Waste		GG-07-12682-00	(81,171)	81,171	48,771	-	(48,771)
Tennessee Department of Economic and Community Development:							
Advanced Manufacturing Project FDIP		GG-07-20542-00	(2,450)	-	-	-	(2,450)
Urban Forestry Grant		SC0002685	-	200,000	3,357	-	196,643
Tennessee Secretary of State							
Community Enhancement for Heritage House			3,276	-	3,276	-	-
Omnibus Community Enhancement Grant Program			-	-	20,870	-	(20,870)
Omnibus Community Enhancement Grant Program			5,251	-	5,359	108	-
Omnibus Community Enhancement Grant Program			30,000	-	-	-	30,000
Omnibus Community Enhancement Grant Program			140	-	140	-	-
Omnibus Community Enhancement Grant Program			776	-	787	11	-
Omnibus Community Enhancement Grant Program			275	-	275	-	-
Omnibus Community Enhancement Grant Program			-	-	112	-	(112)
Tennessee Department of Finance and Administration:							
Tennessee Housing Development Agency							
THDA Entitlement - CNE Project		Program Income	732,732	56,123	-	-	788,855
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT			688,829	349,857	95,510	119	943,295

Component Units

Awards Audited by Other Auditors

**Chattanooga Area Regional Transportation Authority (CARTA)**

Tennessee Department of Transportation:

State CTAP		GG-08-22318	-	22,641	22,641	-	-
State Funding for TN-03-0051		GG-07-12890	(86,141)	86,141	-	-	-

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State Funding for TN-37-X061		GG-07-20344	\$ (36,009)	\$ -	\$ 209,682	\$ -	\$ (245,691)
State Funding for TN-04-0017		GG-09-27223	(112,345)	-	38,999	-	(151,344)
State Funding for TN-90-X293		GG-09-30150	(4,411)	-	360,217	-	(364,628)
Special Legislative Allocation		Z-08-212253	-	86,184	86,184	-	-
State Funding for TN-57-0001		GG-09-27478	-	-	39,672	-	(39,672)
State Operating		GG-10-30274	-	2,094,641	2,094,641	-	-
State Funding for TN-05-0031		GG-08-25178	(3,096)	-	715	-	(3,811)
State Funding for TN-05-0032		GG-10-3074	-	-	11,607	-	(11,607)
State Funding for TN-90-X271		GG-08-26123	(4,395)	4,395	-	-	-
Total Expenditures of State Awards - CARTA			(246,397)	2,294,002	2,864,358	-	(816,753)
<b>Chattanooga Metropolitan Airport Authority (CMAA)</b>							
Airport Improvement Program		Z-07-03-7627-00	(240)	241	1	-	-
Airport Improvement Program		Z-06-02-9515-00	(202,700)	202,700	-	-	-
Airport Improvement Program		Z-08-20-0655-00	(15,554)	-	5,560	-	(21,114)
Airport Improvement Program		Z-08-20-0651-00	(41,237)	-	-	-	(41,237)
Airport Improvement Program		Z-09-21-3917-00	(153,677)	-	20,193	-	(173,870)
Airport Improvement Program		Z-09-21-4023-00	(1,396)	-	10,887	-	(12,283)
Airport Improvement Program		Z-09-21-4074-00	(9,415)	-	56,519	-	(65,934)
Airport Improvement Program		AERO-10-117-00	-	-	13,110	-	(13,110)
Airport Improvement Program		AERO-10-118-00	-	-	725	-	(725)
Airport Improvement Program		Pending	-	-	500	-	(500)
Airport Improvement Program		Z-08-20-0646-00	(5,715)	-	(5,715)	-	-
Airport Improvement Program		Z-09-21-3918-00	(11,278)	-	(11,278)	-	-
Airport Improvement Program		Z-08-20-0662-00	(36,900)	36,900	-	-	-
Airport Improvement Program		Z-08-20-0737-00	(326,537)	326,537	-	-	-
Airport Improvement Program		Z-08-20-0695-00	(91,152)	-	(4,138)	-	(87,014)

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## CITY OF CHATTANOOGA, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2010

Federal Grantor/Pass -Through Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Other Adjustments	Ending (Accrued) Deferred Grant Revenue
(continued from previous page)							
Airport Improvement Program		Z-08-20-0738-00	\$ (448,111)	\$ 448,111	\$ -	\$ -	\$ -
Airport Improvement Program		Z-08-20-0736-00	(813,148)	819,369	6,221	-	-
Airport Improvement Program		Z-08-20-0739-00	(29,250)	29,250	-	-	-
Airport Improvement Program		Z-09-21-3974-00	-	219,996	266,908	-	(46,912)
Airport Improvement Program		Z-08-20-0807-00	-	37,800	37,800	-	-
Airport Improvement Program		Z-09-21-3971-00	-	90,000	90,000	-	-
Airport Improvement Program		Z-09-21-3973-00	-	392,740	437,155	-	(44,415)
Airport Improvement Program		Z-09-21-3966-00	-	-	54,000	-	(54,000)
Airport Improvement Program		AERO -10-100-00	-	-	128,700	-	(128,700)
Total Expenditures of State Awards - CMAA			(2,186,310)	2,603,644	1,107,148	-	(689,814)
TOTAL EXPENDITURES OF STATE AWARDS - COMPONENT UNITS			(2,432,707)	4,897,646	3,971,506	-	(1,506,567)
TOTAL EXPENDITURES OF STATE AWARDS - REPORTING ENTITY			(1,743,878)	5,247,503	4,067,016	119	(563,272)
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY			\$ (11,369,481)	\$ 68,935,537	\$ 76,941,206	\$ 31,072	\$ (19,344,078)

CITY OF CHATTANOOGA, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2010

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Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Program Income

Cash receipts for the Community Development Block Grant (CFDA 14.218) and HOME Investment Partnerships Program (CFDA 14.239) include program income of \$320,474 and \$427,547, respectively.

Note 3. Other Adjustments

Other adjustments to the schedule of expenditures of federal and state awards reflect adjustments to prior year ending accrued revenues that will not be received, adjustments to record accruals not recorded in prior years or reclassification of accrual amounts to the proper grants.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipient</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$1,294,741
Shelter Plus Care	14.238	83,707
Home Investment Partnerships Program	14.239	1,526,756

Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards

To the Honorable Mayor  
and Members of the City Council  
City of Chattanooga, Tennessee

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Chattanooga, Tennessee (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 6, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting (Finding 2010-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City in a separate letter dated December 6, 2010.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Haslett, Lewis & Bieter, PLLC*

Chattanooga, Tennessee  
December 6, 2010

Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor  
and Members of the City Council  
City of Chattanooga, Tennessee

Compliance

We have audited the compliance of the City of Chattanooga, Tennessee (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. We did not audit the compliance of the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority whose federal and state financial assistance is \$16,621,933. The reports of the other auditors on compliance with the requirements could have a direct and material effect on major programs have been furnished to us, and our opinion on compliance with those requirements, insofar as it relates to the amounts included for the Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority was based solely on the reports of the other auditors. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Chattanooga, Tennessee complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of the City of Chattanooga, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, the City Council, the City of Chattanooga, Tennessee's management, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Haylett, Lewis & Bieter, PLLC*

Chattanooga, Tennessee  
December 6, 2010

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☐ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
11.555	U.S. Department of Military Public Safety Interoperable Communications Grant
20.106	U.S. Department of Transportation: Airport Improvement Program
20.500	Federal Transit Cluster: Federal Transit – Capital Improvement Grants
20.507	Federal Transit – Formula Grants
81.122	U.S. Department of Energy: Electricity Delivery and Energy Reliability, Research, Development and Analysis



CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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Identification of major programs (continued):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.568	U.S. Department of Health and Human Services: Low-Income Home Energy Assistance (LIHEAP)
93.600	Head Start Cluster: Head Start
93.708	ARRA – Head Start

Dollar threshold used to distinguish between type A  
and type B programs: \$2,186,226

Auditee qualified as low-risk auditee?   X   yes        no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2010-1: Interceptor Sewer System Inventory

Condition and criteria: Interceptor Sewer System inventory at June 30, 2010 contained several discrepancies.

Context: A physical count of inventory is taken each year on June 30.

Effect: The recorded amount of inventory could be misstated.

Cause: The inventory procedures at June 30, 2010 provided limited information regarding the accuracy of the recorded inventory.

Recommendation: We recommend improvements to inventory procedures and their execution in order to provide reliable supporting documentation for inventory.

Management's response: Written procedures have been developed and more resources will be devoted to the Sewer inventory.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF CHATTANOOGA, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2010

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Finding 2009-1: Eligibility

Federal program: CFDA 93.568 Low-Income Home Energy Assistance Program  
Federal agency: U.S. Department of Health and Human Services  
Award years: July 1, 2008 to June 30, 2009

Finding: During 2009, benefit amounts were awarded to individuals due to erroneous calculations of personal income. According to the OMB Circular A-133 Compliance Supplement, funds can only be disbursed to individuals who meet certain income requirements.

Corrective Action Taken: Management has developed procedures to ensure staff is conscientious when calculating personal income of individuals applying for energy assistance.



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